



CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

August 12, 1999

H.R. 1568

Veterans Entrepreneurship and Small Business Development Act of 1999

As cleared by the Congress on August 5, 1999

SUMMARY

H.R. 1568 would expand federal assistance to small businesses owned by veterans. It would establish a federally chartered corporation to coordinate assistance to small business owners who are veterans. In addition, it would establish an Office of Veterans Business Development and an advisory committee on veterans affairs within the Small Business Administration (SBA). Section 402 would authorize the SBA to modify and expand certain loan programs to assist small businesses that employ military reservists who are called to active duty. Finally, the act would direct the SBA and the General Accounting Office to prepare several reports and would provide other forms of assistance to small businesses that are owned by veterans.

CBO estimates that enacting the legislation would increase direct spending by about \$1 million in fiscal year 1999. Therefore, pay-as-you-go procedures apply to this legislation. In addition, CBO estimates that implementing H.R. 1568 would increase discretionary spending by about \$24 million over the 2000-2004 period, assuming appropriation of the necessary amounts.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For the purposes of this estimate, CBO assumes that H.R. 1568 will be enacted during fiscal year 1999. The estimated effects on direct spending and governmental receipts are shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
PAY-AS-YOU-GO-EFFECTS											
Changes in Outlays	1	0	0	0	0	0	0	0	0	0	0
Changes in Receipts	0	0	0	0	0	0	0	0	0	0	0

BASIS OF ESTIMATE

Direct Spending

Section 402 would allow the SBA to defer principal and interest payments due on small business loans if a military reservist is called to active duty during a period of military conflict and the reservist is an essential employee of the small business. The deferral would last from the date on which the reservist is ordered to active duty until 180 days after the reservist is released. Section 402 also would allow the SBA to reduce the interest rate on loans qualifying for a deferral. The act would encourage lenders and intermediaries to grant similar deferrals for loans guaranteed by the SBA.

Section 402 would increase direct spending because it would raise the expected cost of existing loans to small businesses. CBO estimates that enacting this provision would probably increase direct spending by about \$1 million in 1999, based on information from the SBA. We estimate that the deferral provision would affect fewer than 500 small business disaster loans (out of the 70,000 outstanding), with an average loan size of \$50,000, and that the deferment of principal and interest payments would increase the average subsidy costs on those loans by about 5 percentage points. The increase in subsidy costs would be recorded as an outlay in the year in which the legislation is enacted.

Revenues

Authorizing the advisory committee to accept and use gifts and donations would affect direct spending and governmental receipts, but CBO estimates that the amounts involved would be negligible.

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